

IOWA Department of REVENUE

Research Activities Tax Credit Annual Report For the Period January 1 – December 31, 2011

Reporting Requirements

Senate File 478, Sections 232 through 234, enacted by the 2009 General Assembly established the requirement that the Department of Revenue annually report on individuals and corporations that claim the Iowa Research Activities Tax Credit. As signed, the reporting requirement applied to returns filed on or after July 1, 2009. This report considers claims filed during calendar year 2011.

As required by the legislation the report includes:

- The total amount of Research Activities Tax Credit claims.
- The total amount of Supplemental Research Activities Tax Credit claims.
- The total amount of Research Activities Tax Credit claims paid as refunds.
- The amounts of Research Activities Tax Credits claimed against corporate income tax and against individual income tax.
- The names and the amounts claimed by taxpayers that claimed in excess of \$500,000 of Research Activities Tax Credits.

Tax Credit Eligibility and Tax Return Filing Requirements

Individuals that satisfy the conditions specified in Iowa Code Section 422.10 (2011), and corporations that satisfy the conditions specified in Iowa Code Section 422.33(5) (2011), may claim the Research Activities Tax Credit. The credit equals 6.5 percent of the Iowa apportioned share of the increase in research expenditures relative to a base amount of qualifying research expenditures used for federal income tax purposes. The Supplemental Research Activities Tax Credit is only available to companies that receive awards from the Iowa Economic Development Authority under either the Enterprise Zone Program or the High Quality Jobs Program.¹ As specified in Iowa Code Section 15.335, for awards made prior to July 1, 2010, the supplemental credit equals an additional 6.5 percent of qualifying incremental research expenditures made in the State, but may be subject to a per project cap set by the Iowa Economic Development Authority. For claims made after July 1, 2010, supplemental awards to businesses with annual gross revenues less than \$20 million can result in a supplemental credit up to an additional 10 percent of qualifying incremental research expenditures made in the State. For businesses with annual gross revenues of \$20 million or more, the supplemental credit is up to an additional 3 percent.

Companies eligible to claim the Research Activities Tax Credit may compute the credit amount using either of two methods depending on the applicable tax year. For tax years 2009 or earlier, companies may use the regular method or the Alternative Incremental Research method. For tax years 2010 or later, companies may use the regular method or the Alternative Simplified Research Method. Companies eligible to claim the Supplemental Research Activities Tax Credit must compute the credit amount using the same method used to compute the Research Activities Tax Credit.

Although Research Activities Tax Credits are only eligible for qualifying business research expenditures, individuals with ownership interests in pass-through entities such as limited liability companies, S corporations, and partnerships may qualify to claim a portion of the credits earned by one or more businesses. In addition to filing the IA 1040 for individuals, or form IA 1120 for corporations, all claimants must complete the IA 148 Tax Schedule and one of the following supporting forms in order to claim a Research Activities Tax Credit:

- Form IA 128 – Iowa Research Activities Tax Credit (Regular Calculation Method), or
- Form IA 128A – Iowa Alternative Incremental Research Activities Tax Credit, or
- Form IA 128S – Iowa Alternative Simplified Research Activities Tax Credit.

¹ Companies with active contracts under the New Jobs and Income Program or the New Capital Investment Program signed prior to the 2005 expiration of those programs may also be eligible for the Supplemental Research Activities Tax Credit.

Information provided on the three forms listed above and the IA 148 provide the date for this report. Some data from tax returns filed between January 1, 2011 and December 31, 2011 may be missing from the report because data from these tax credit forms filed on paper returns may not yet have been entered into the tax credits database. Also, the information reflected in this report is pre-audit. The data has been reviewed and obvious computational errors have been corrected, but corrections of filing errors that can only be determined through the review of returns by either examiners or auditors have not yet been completed.

Summary of Research Activities Tax Credit Claims

The following is a summary of Research Activities Tax Credit and Supplemental Research Activities Tax Credit claims filed between January 1, 2011 and December 31, 2011.

Table 1. Research Activities Tax Credit Claims and Refunds

1/1/2011 - 12/31/2011

	Tax Credit Claims					
	Individual		Corporate		Total	
	Number	Amount	Number	Amount	Number	Amount
Research Activities Tax Credits	817	\$3,422,062	181	\$31,245,684	998	\$34,667,746
Supplemental Research Activities Tax Credits	110	\$629,555	16	\$16,327,031	126	\$16,956,586
Total Research Activities Tax Credits		\$4,051,617		\$47,572,715		\$51,624,332

	Tax Credit Refunds					
	Individual		Corporate		Total	
	Number	Amount	Number	Amount	Number	Amount
Research Activities Tax Credits	209	\$981,842	131	\$28,607,498	340	\$29,589,340
Supplemental Research Activities Tax Credits	31	\$358,719	15	\$16,275,682	46	\$16,634,401
Total Research Activities Tax Credits		\$1,340,561		\$44,883,180		\$46,223,741

Note: Credit claim numbers are preliminary.

Summary for Selected Tax Credit Claimants

Seven companies filed claims for Research Activities Tax Credits in excess of \$500,000 between January 1, 2011 and December 31, 2011. Information for these companies is provided below. Two of the companies from last year's report did not meet the requirements for inclusion in the report this year. There were no claimants that met the requirements for the first time.

Table 2. Research Activities Tax Credit Large Claimant Details

1/1/2011-12/31/2011

Claimant	Claim Amount
Rockwell Collins Inc & Subsidiaries	\$14,313,898
Deere & Company	\$11,762,241
El DuPont De Nemours And Company Inc	\$7,762,928
John Deere Construction & Forestry Company	\$2,162,782
Monsanto Company	\$1,305,188
Skyworks Solutions Inc	\$667,515
Vermeer Manufacturing Company And Subsidiaries	\$622,650
Total	\$38,597,202

Note: The claim amount includes both the Research Activities Tax Credit and any Supplemental Research Activities Tax Credit.